



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

December 7, 2007

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich
FOR [Signature]

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **VAN NESS RECOVERY HOUSE CONTRACT – A COMMUNITY AND
SENIOR SERVICES WORKFORCE INVESTMENT ACT PROGRAM
PROVIDER**

We have conducted a program, fiscal and administrative contract review of Van Ness Recovery House (Van Ness or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with Van Ness, a private non-profit organization to provide and operate the WIA Adult Special Needs Program. The WIA Adult Special Needs Program is a comprehensive training and employment program to assist low income adults with substantial language and/or cultural barriers obtain employment, retain their jobs and increase their earnings. The types of services provided by Van Ness include on-the-job training, vocational training, job readiness training and entrepreneurial training. Van Ness serves all five Supervisorial Districts.

Van Ness is compensated on a cost reimbursement basis. Van Ness' contract was for \$74,759 for Fiscal Year (FY) 2006-2007.

Purpose/Methodology

The purpose of the review was to determine whether Van Ness has complied with its contract terms and appropriately accounted for and spent WIA funds in providing the

services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

Results of Review

Van Ness billed CSS \$1,932 in unsupported expenditures. In addition, Van Ness did not always comply with WIA and County contract requirements. Specifically, Van Ness did not:

- Enroll or report the participants' program activities on the Job Training Automation system for three (47%) of the seven participants sampled.
- Prepare the bank reconciliations timely. As of March 2, 2007, Van Ness' most recent bank reconciliation was for September 2006.
- Submit August and September 2006 invoices to CSS within ten business days of month end as required by the County contract.

Van Ness also did not implement the five recommendations noted in our FY 2005-06 monitoring report. As a result, similar findings were noted during this year's monitoring review.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Van Ness and CSS on October 23, 2007. In their attached response, Van Ness concurred with our findings and recommendations.

We thank Van Ness for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Kathleen Watt, Executive Director, Van Ness Recovery House
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
VAN NESS RECOVERY HOUSE
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Van Ness Recovery House (Van Ness or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for seven (58%) of the 12 program participants that received services between July 2006 and February 2007 for documentation to confirm their eligibility for WIA services.

Results

All seven participants met the eligibility requirements for the WIA Adult Special Needs Program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Van Ness provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for seven (58%) participants that received services during July 2006 through February 2007. We also interviewed two program participants.

Results

The two participants interviewed stated that the services they received met their expectations. However, Van Ness did not enroll or report the participants' program activities for three (43%) of the seven participants sampled on the Job Training

Automation (JTA) system as required by WIA guidelines. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Recommendation

1. **Van Ness management ensure that staff update the Job Training Automation system to reflect the participants' enrollment and program activities.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's September 2006 bank reconciliation.

Results

Generally, Van Ness properly recorded and deposited cash receipts and revenues in a timely manner. However, Van Ness did not prepare the bank reconciliations within 30 days of the bank statement date as required by the County contract. Specifically, as of March 2, 2007, Van Ness' most recent bank reconciliation was for September 2006. In addition, the Agency's September 2006 bank reconciliation was not signed by the preparer or the reviewer as required. This finding was also noted in the prior two years' monitoring reviews.

Recommendations

Van Ness management:

2. **Ensure that bank reconciliations are prepared within 30 days of the bank statement date.**
3. **Ensure that bank reconciliations are signed by the preparer and reviewer.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether the program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 12 non-payroll expenditure transactions billed by the Agency for July and October 2006, totaling \$1,026.

Results

Van Ness did not maintain documentation such as receipts, invoices and cancelled checks to support the expenditures billed to Community and Senior Services (CSS) for July and October 2006. According to Agency personnel, the supporting documents were discarded after payments were made. The County contract requires financial records to be retained for a minimum of five years after the termination of the contract. Van Ness needs to repay CSS \$1,026 for unsupported direct and shared expenditures. A similar finding was also noted on the prior year's monitoring report.

Recommendations**Van Ness management:**

4. Repay CSS \$1,026.
5. Retain adequate documentation to support program expenditures for a minimum of five years after termination of the contract.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested expenditure transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Van Ness maintained sufficient internal controls over its business operations. However, Van Ness did not submit August and September 2006 invoices to CSS within ten business days of month end as required by the County contract.

Van Ness' accounting manual also did not include policies and procedures regarding travel or reimbursements. A similar finding was also noted in the prior year's monitoring report. Subsequent to our review, Van Ness updated their accounting manual to include travel and reimbursements procedures.

Recommendations**Van Ness management:**

6. **Ensure that invoices are submitted to CSS within the timeframes established by the County contract.**
7. **Distribute the updated accounting manual to staff and ensure that staff comply with the updated accounting procedures.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Van Ness' fixed assets and equipment purchases made with WIA funds are used for the WIA program and are properly safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed a physical inventory and reviewed the usage of all three items funded by WIA funds, totaling \$3,978.

Results

Van Ness used the items purchased with WIA funding for the WIA program. However, Van Ness did not obtain approval from CSS as required by the County contract to dispose of a printer.

Subsequent to our review, Van Ness obtained approval from CSS to dispose of the property.

Recommendation

8. Van Ness management obtain prior written approval from CSS for disposal of property.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for one employee totaling \$4,776 for October 2006 to the Agency's payroll records and time reports. We also interviewed and reviewed the personnel file for one employee assigned to the WIA program.

Results

Van Ness appropriately charged payroll expenditures to the WIA program. However, Van Ness did not obtain a criminal record clearance for the one employee assigned to the WIA program as required. Subsequent to our review, Van Ness obtained a criminal record clearance for the employee assigned to the WIA Program.

Van Ness also has not prepared an annual performance evaluation for the employee since 1998. This finding regarding performance evaluations was also noted in the prior year's monitoring report.

Recommendations**Van Ness management:**

9. Obtain a criminal record clearance for the employee(s) assigned to the WIA Program.
10. Conduct annual performance evaluations.

COST ALLOCATION PLAN**Objective**

Determine whether Van Ness' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July and October 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Van Ness did not maintain adequate documentation to support all program expenditures. As previously indicated, we are unable to verify whether the Agency used the Cost Allocation Plan to appropriately allocate shared program expenditures due to lack of supporting documentation for the program expenditures.

Recommendation

Refer to Recommendation 5.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice reconciles to the Agency's financial accounting records.

Verification

We traced the Agency's FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06. In addition, we reviewed a sample of expenditures incurred in June 2006.

Results

Van Ness' FY 2005-06 general ledger reconciled to the Agency's FY 2005-06 final close-out invoice. However, Van Ness did not maintain documentation to support expenditures, totaling \$395. A similar finding was also noted on the prior year's monitoring report.

Recommendation

11. Van Ness management repay CSS \$395.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued on November 15, 2006.

Results

The prior monitoring report contained six recommendations. As of September 2007, Van Ness had not implemented five recommendations relating to Recommendations 3, 5, 7, 10 and 11 or repaid CSS \$511 in unsupported expenditures.

Recommendation

- 12. Van Ness management immediately repay CSS \$511 and implement the outstanding recommendations from the FY 2005-06 monitoring report.**



1919 North Beachwood Drive, Hollywood, CA 90068-4019
(323) 463-4266 • Fax (323) 962-6721

November 7, 2007

TO: J. Tyler McCauley, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 South Fremont Avenue, Unit #51
Alhambra, CA 91803

Attention: Yoon Bae

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

SUBJECT: **FY 2006-07 Van Ness Recovery House Response/Corrective Action
Plan for WIA Monitoring Review**

Dear Yoon Bae:

Van Ness Recovery House (VNRH) is submitting our Response/Corrective Action Plan for WIA Monitoring Review. Detailed responses to all recommendations for corrective action are attached.

Thank you for all your assistance during this review.

Sincerely,

John Wise
Van Ness Recovery House
Job Training Program Director

Response/Corrective Action Plan to WIA Program Monitoring Review FY 2006-07
FINAL DRAFT dated November 07, 2007

ELIGIBILITY

Recommendation

No recommendation and no response.

BILLED SERVICES/CLIENT VERIFICATION

Recommendation 1

Van Ness Recovery House (VNRH) management will ensure that staff updates the JTA system to reflect the participants' enrollment and program activities.

CASH/REVENUE

Recommendations 2 & 3

It is the practice of VNRH to prepare the Bank Reconciliations within 30 days of the receipt of the bank statement.

VNRH management has informed the outside CPA accountants that the preparer and the reviewer must sign and date the Bank Reconciliation upon completion.

EXPENDITURES/PROCUREMENT

Recommendations 4 & 5

VNRH will ensure that the staff currently assigned to Administrative Assistant duties that supporting documentation is retained on file for the required time frame (a minimum of five years or longer) per VNRH Record Retention Policy.

(Policy submitted at closeout exit Tuesday October 23, 2007)

VNRH is in process of obtaining duplicate supporting documentation and will be submitted to CSS.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Recommendations 6 & 7

VNRH will ensure that WIA staff will submit invoices to DCSS within the established regulatory guidelines.

VNRH ensures that the Accounting/Policy and Procedure Manual is complete and developed in compliance with WIA and all other regulatory guidelines.

FIXED ASSETS AND EQUIPMENT

Recommendation 8

VNRH has properly sought and received written approval from DCSS for disposal of property. (Letter of approval submitted at closeout exit Tuesday October 23, 2007)

PAYROLL AND PERSONNEL

Recommendations 9 & 10

VNRH has obtained a criminal record clearance for the employee(s) assigned to the WIA program. (Certificates submitted at closeout exit Tuesday October 23, 2007)

VNRH will conduct annual performance evaluation for John Wise and submit to CSS.

(Policy submitted at closeout exit Tuesday October 23, 2007)

COST ALLOCATION PLAN

Recommendation

VNRH will ensure that the staff currently assigned to Administrative Assistant duties that supporting documentation is retained on file for the required time frame (a minimum of five years or longer) per VNRH Record Retention Policy.

(Policy submitted at closeout exit Tuesday October 23, 2007)

CLOSE-OUT REVIEW

Recommendation 11

VNRH is in process of obtaining duplicate supporting documentation and will be submitted to CSS.

VNRH will ensure that the staff currently assigned to Administrative Assistant duties that supporting documentation is retained on file for the required time frame (a minimum of five years or longer) per VNRH Record Retention Policy.

(Policy submitted at closeout exit Tuesday October 23, 2007)

PRIOR YEAR FOLLOW-UP

Recommendations 12

Check for \$511 to CSS has been written and is being paid.